

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 COME-00 MC-02 L-03 TRSE-00 SS-15

NSC-10 JUSE-00 CIAE-00 INR-10 NSAE-00 RSC-01 RSR-01

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R 091545 Z MAY 73

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 7480

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION NATO BRUSSELS

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E. O. 11652: N/A

TAGS: ETRD, UK, FR, GW, IT, BE, NL, SW, SZ, AU, SP,

CA, MX, VE, BR, AR, JA, IN, AS, SF, NATO, EEC, OECD

SUBJECT: ANTI- TRUST CASE: US V. IBM

REF: STATE 69913; A-76 OF FEB 25, 1971

1. BEGIN SUMMARY: FOLLOWING INFORMATION ON IBM OPERATIONS IN BELGIUM WAS LARGELY OBTAINED FROM PUBLIC DOCUMENTS AND FROM PRIVATE PRESS SOURCE. IT MAY BE MADE PART OF PUBLIC RECORD IN US. REPLIES ARE KEYED TO PARAGRAPH NUMBERS OF REFTEL QUESTIONS. MAIN POINTS ARE:

A. IBM HAS NEARLY TWO- THIRDS OF DATA PROCESSING MARKET IN BELGIUM,

B. THERE ARE NO SPECIFIC NON- TARIFF BARRIERS AGAINST COMPUTER
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EQUIPMENT (APART FROM PROGRESS CONTRACTS MENTIONED BELOW),

C. THERE IS LITTLE INDICATION OF SERIOUS GOB CONCERN ABOUT IBM' S MARKET POSITION, ALTHOUGH THERE IS SOME CONCERN ON THE PART OF PRIVATE INDUSTRY.

D. INFORMED SOURCES BELIEVE BREAK- UP OF IBM COULD DO SERIOUS DAMAGE TO OVERSEAS MARKETING OPERATIONS. END SUMMARY.

2. IBM WORLD TRADE CORPORATION WHOLLY OWN IBM OF BELGIUM, WHICH WAS CAPITALIZED AT END 1969 AT BF ONE BILLION (BF 40 EQUAL ONE US DOLLAR) AND HAS REPORTED TURNOVER IN RECENT YEARS OF OVER BF TWO BILLION. HEADQUARTERS, SALES AND RENTAL SERVICES, AND TRAINING CENTER LOCATED IN BRUSSELS, WITH TECHNICAL CENTER (TIME SHARING, CARD PRINTING, REPAIRS, AND STOCKS) IN DIEGEM INDUSTRIAL AREA NEAR BRUSSELS. IBM OF BELGIUM HAS EIGHT REGIONAL SERVICE CENTERS IN BELGIUM AND IS ESTABLISHING A RESEARCH CENTER NEAR LOUVAIN- LA- NEUVE. CHIEF OFFICERS, BOTH BELGIAN, ARE W. DE MAYER, GENERAL MANAGER, AND R. DE FRAITEUR, MANAGING DIRECTOR.

3. ACCORDING TO JOURNALIST WHO CLOSELY FOLLOWS DATA PROCESSING INDUSTRY, IBM PROBABLY HAS BETWEEN 62 AND 65 PER CENT OF MARKET FOR COMPUTER SALES AND RENTALS PLUS TIME SHARING. NEXT IS HONEYWELL- BULL WITH 12 PER CENT, WITH BURROUGHS, UNIVAC, SPERRY- RAND, NCR, SIEMENS, FRIEDEN, PHILIPS, ACEC- WESTINGHOUSE, CONTROL DATA, AND INTERNATIONAL COMPUTERS LTD. SPLITTING THE REMAINING 25 PER CENT OR SO. IBM' S SHARE OF THE MARKET HAS PROBABLY INCREASED SOMEWHAT IN RECENT YEARS, ESPECIALLY IN SALES TO GOB AGENCIES; LARGE INSTALLATIONS HAVE FAIRLY RECENTLY BEEN MADE IN NATIONAL STATISTICS INSTITUTE, NATIONAL ECONOMIC DATA BANK, AND NATIONAL VITAL STATISTICS CENTER, NOW BEING ORGANIZED.

4. A. CUSTOMS FIGURES GIVING BREAKDOWN FOR DATA PROCESSING EQUIPMENT SHOWING COMPUTERS SEPARATELY ARE AVAILABLE ONLY FOR 1972. BLEU (BELGIUM- LUXEMBOURG ECONOMIC UNION) IMPORTS FROM PRINCIPAL SUPPLIERS IN 1972 OF ANALOG, HYBRID AND DIGITAL COMPUTERS, INCLUDING COMPLETE PROCESSING UNITS WERE (IN BF MILLIONS). TOTALS DO NOT ADD, SINCE MINOR SUPPLIERS AND CUSTOMERS EXCLUDED: US - 128.1
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WEST GERMANY	-	514.9
FRANCE	-	131.8
ITALY	-	106.6
NETHERLANDS	-	85.9
TOTAL	-	1219.3

IMPORTS OF MEMORY UNITS, ENTRY AND EXIT UNITS AND OTHER PERIPHERAL

COMPUTER EQUIPMENT IN 1972 WERE:

US	-	503.9
WEST GERMANY	-	145.6
FRANCE	-	267.0
ITALY	-	43.3
UK	-	185.7
TOTAL	-	1697.4

EXPORTS OF COMPUTERS TO PRINCIPAL CUSTOMERS IN 1972 WERE:

FRANCE	-	156.3
NETHERLANDS	-	204.5
JAPAN	-	135.9
UK	-	35.4
AUSTRALIA	-	32.3
YUGOSLAVIA	-	31.4
BRAZIL	-	30.7
TOTAL	-	867.9

EXPORTS OF MEMORY UNITS, ETC., WERE:

WEST GERMAHY	-	175.6
FRANCE	-	226.4
NETHERLANDS	-	34.1
JAPAN	-	31.6
UK	-	32.9
YUGOSLAVIA	-	97.3
ITALY	-	72.2
TOTAL	-	920.8

B. TRADE FIGURES FOR OTHER COMPUTER- RELATED EQUIPMENT (KEY-
PUNCHES, VERIFIERS, ELECTRONIC CALCULATING MACHINES, ETC.) ARE
GIVEN IN THE FOLLOWING TALLEES ALONG WITH 1968-71 FIGURES FOR
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COMPUTERS AND PERIPHERAL EQUIPMENT.

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INFO OCT-01 EUR-25 ADP-00 COME-00 MC-02 L-03 TRSE-00 SS-15

NSC-10 JUSE-00 CIAE-00 INR-10 NSAE-00 RSC-01 RSR-01

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R 091545 Z MAY 73
 FM AMEMBASSY BRUSSELS
 TO SECSTATE WASHDC 7481
 INFO AMEMBASSY LONDON
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IMPORTS OF ELECTROIC DATA PROCESSING MACHINES
 (INCLUDING COMPUTERS, MEMORY UNITS, ENTRY AND EXIT UNITS)

	1968	1969	1970	1971	1972
US	185.4	278.1	293.4	282.9	-
FRANCE	241.4		347.7	513.9	-
W. GERMANY	152.1	234.2	492.8	568.3	-
ITALY	169.2	138.0	228.4	226.7	-
UK	-	153.4	-	123.9	-
TOTAL	928.3	1129.4	1633.3	1890.4	2916.7

IMPORTS OF COMPUTER- RELATED EQUIPMENT (KEYPUNCHES, ETC.)

US	-	5.7	-	9.3	19.2
UK	45.1	63.7	158.4	72.2	120.0
BRAZIL	21.1	1.6	-		22.6

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FRANCE	-	14.4	-	43.3	23.0
TOTAL	83.6	97.3	228.0	161.7	223.4

EXPORTS OF ELECTROIC DATA PROCESSING MARCHINES

NETHERLANDS	4.0	1.6	89.4	123.9	-
W. GERMANY	4.9	11.1	20.7	99.7	-
JAPAN	-	-	-	196.2	-
FRANCE	-	28.0	92.6	375.6	-
US	-	4.4	7.5	-	-
UK	-	-	87.5	104.6	-

TOTAL 23.4 79.9 454.1 1352.4 1788.7

EXPORTS OF COMPUTER- RELATED EQUIPMENT

NETHERLANDS	8.2	1.0	0.3	0.5	7.7
WEST GERMANY	-	2.1	2.7	2.4	77.1
FRANCE	-	-	2.9	3.2	13.6
YUGOSLAVIA	-	-	-	21.5	88.4
TOTAL	25.6	15.5	11.3	32.5	282.8

C. IMPORTS OF DATA PROCESSING MACHINERY INTO BELGIUM SUBJECT ONLY TO EC COMMON EXTERNAL TARIFF. EXCEPT FOR PROGRESS CONTRACTS MENTIONED BELOW, WE HAVE IDENTIFIED NO SPECIFIC NON- TARIFF BARRIERS. GOVERNMENT AGENCIES ARE, HOWEVER, LARGE CONSUMERS OF COMPUTER EQUIPMENT, AND PROCUREMENT OF MAJOR ITEMS CAN TAKE ON A POLITICAL CHARACTER.

5. BELGIUM HAS NOT BEEN PRIMARY PARTY IN COMMON MARKET EFFORT TO CREATE STRONGER EUROPEAN COMPUTER INDUSTRY, PROBABLY BECAUSE THERE IS NO BELGIAN- CONTROLLED COMPUTER COMPANY TO PROTECT OR PROMOTE. UNDER 1970 ECONOMIC EXPANSION LAW, GOB AWARDED " PROGRESS CONTRACTS" TO SIEMENS AND PHILIPS WHICH RESERVED FOR EACH COMPANY 25 PER CENT OF BOG COMPUTER-RELATED PROCUREMENT FOR FIVE YEARS (PROVIDED COST AND QUALITY COMPETITIVE). PURPOSE OF PROGRESS CONTRACTS WAS TO ENCOURAGE TECHNOLOGICALLY ADVANCED INDUSTRIES TO INVEST IN BELGIUM. SIEMENS HAS REPORTEDLY DONE BETTER THAN PHILIPS IN TAKING ADVANTAGE OF RESERVED MARKET, BUT NEITHER HAS EVEN BEGUN TO THREATEN DOMINANT IBM POSITION.

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6. WE HAVE SEEN LITTLE RECENT PRESS REPORTING AND NO EDITORIAL COMMENT ON US V. IBM. WE VERY MUCH DOUBT THAT GOB HAS EVER CONSIDERED LEGAL ACTION AGAINST IBM. IN INFORMAL CONVERSATION, PLANNING COMMISSION OFFICIAL WAS SOMEWHAT INCREDULOUS THAT USG SHOULD HAVE ANY INTEREST IN BREAKING UP IBM, WHICH HAS BEEN INDUSTRY LEADER AND HIGHLY SUCCESSFUL IN MARKETING ABROAD. ON THE PRIVATE SIDE, HOWEVER, SENIOR REPRESENTATIVE OF BELGIAN INDUSTRY HAS TOLD US OF CONCERN OVER IBM DOMINATION OF DATA PROCESSING INDUSTRY IN BELGIUM.

7. JOURNALIST MENTIONED ABOVE BELIEVED BREAK- UP OF IBM WOULD DO GREAT DAMAGE TO IBM POSITION ABROAD. WHETHER OR NOT LOCAL COMPANY WERE PLACED UNDER ONE OR MORE US IBM SUCCESSORS, HE BELIEVED THAT STRONGEST POINTS IN IBM SUCCESS IN BELGIUM (AND ELSEWHERE) ARE: 1) UNIFIED AND COMPREHENSIVE SERVICES TO CUSTOMERS, 2) EFFECTIVE TRAINING AND SALES PROGRAMS, 3) FLOW OF NEW HARDWARE AND SOFTWARE FROM US AND 4) REPUTATION AS PROMINANT INDUSTRY LEADER, BOTH IN SIZE AND PERFORMANCE. HE THOUGHT BREAK- UP WOULD DO CRITICAL DAMAGE TO ALL OF ABOVE

STRENGTHS AND INEVITABLY WEAKEN IBM'S COMPETITIVENESS ABROAD.
INSOFAR AS COMMON MARKET WISHES TO CREATE STRONG EUROPEAN
RIVAL, IBM BREAK-UP WOULD STRENGTHEN THESE EFFORTS.

8. IN OUR CONVERSATION WITH OTHER AMERICAN COMPUTER
MANUFACTURERS THEY ARE DOUBTFUL OF BEING ABLE TO TAKE ADVANTAGE OF
BREAKUP OF IBM. ON THE ONE HAND THEY BELIEVE THAT THE NEW
COMPANIES FORMED OUT OF IBM WOULD STILL BE SO LARGE AS TO PROVIDE
STIFF COMPETITION. ON THE OTHER HAND TO THE DEGREE THAT IBM
COMPETITORS' POSITION WERE STRENGTHENED THE RESULT MIGHT BE MORE
FAVORABLE TO FOREIGN COMPETITORS THAN TO THE U. S. FIRMS. THEY
POINTED OUT THAT THE ABILITY OF IBM TO RETAIN ITS POSITION IN
SPITE OF FOREIGN SENTIMENT FAVORING DEVELOPING OF NON- U. S. BASED
INDUSTRY COMES FROM IBM'S STRENGTH CITED BY THE JOURNALIST
MENTIONED ABOVE. THUS THE GENERAL BELIEF IS THAT A BREAKUP OF IBM
COULD BE DETRIMENTAL TO THE OVERALL POSITION OF THE
U. S. COMPETITOR COMPANIES OUTSIDE OF THE UNITED STATES.

9. BELGIAN LAW GOVERNING ABUSE OF MONOPOLIES PASSED IN 1960
BUT HAS NEVER BEEN USED. IN ANY CASE, ACTION IN THIS AREA WOULD
ALMOST CERTAINLY BE HANDLED THROUGH EC MACHINERY RATHER THAN BY
BELGIUM.

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10. OUR ATTENTION HAS BEEN BROUGHT TO EXCELLENT BOOK ON
WORLD MARKET FOR COMPUTERS. L' ECONOMIE MONDIALE DE L' ORDINATEUR,
BY JEAN- MICHELE TREILLE, SECRETARY GENERAL OF PERMANENT
COMMITTEE ON ELECTRONICS IN FRENCH PLANNING COMMISSION
(EDITIONS DE SEUIL, PARIS, 1973). BOOK INCLUDES STATISTICS ON
IBM SHARE OF MARKET IN MAJOR COUNTRIES AND MAY BE OF INTEREST TO
JUSTICE IF IT HAS NOT ALREADY CONSULTED IT.
STRAUSZ- HUPE

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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
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Disposition Reason:
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Enclosure: n/a
Executive Order: n/a
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Subject: N/A
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